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C O N F I D E N T I A L SECTION 01 OF 02 ROME 000186

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E.O. 12958: DECL: 12/27/2011

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SUBJECT: DELIVERY OF ATLANTIC BIRD DEMARCHE TO GOI AND  
ALENIA

REF: SECSTATE 213498

CLASSIFIED BY: ESTCOUNS DAVID MULENEX FOR REASONS 1.5 B AND D.

1. (C) SUMMARY: EMBASSY DELIVERED REFTEL DEMARCHE TO THE GOI AND ALENIA SPAZIO ON DECEMBER 18 AND 21, RESPECTIVELY. BOTH CLEARLY UNDERSTOOD REFTEL MESSAGE THAT A PRESIDENTIAL WAIVER OF THE EXPORT CONTROLS REGARDING ATLANTIC BIRD WOULD BE HIGHLY UNLIKELY IN THE CONTEXT OF CURRENT CHINESE UNRESPONSIVENESS TO U.S. NON-PROLIFERATION CONCERNS. ALENIA REPRESENTATIVES EXPRESSED FRUSTRATION WITH THE SITUATION, BUT THEY ALSO POSED A HYPOTHETICAL SOLUTION THE ISSUE BY REMOVING THE U.S. ORIGIN COMPONENTS FROM ATLANTIC BIRD. AN ALENIA OFFICIAL ADMITTED THAT HIS COMPANY WISHED TO PURSUE ADDITIONAL CHINESE CONTRACTS BUT WAS CONCERNED ABOUT POTENTIAL U.S. POLITICAL INTERFERENCE. ALENIA EXPRESSED THE DESIRE FOR A BILATERAL ITALO-AMERICAN AGREEMENT LAYING OUT CLEAR RULES ON COOPERATION WITH CHINA. ITALIAN AMBASSADOR TO THE U.S. SALLEO WILL BE TAKING THIS ISSUE UP WITH THE DEPARTMENT IN THE NEAR FUTURE. END SUMMARY.

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MINISTRY OF FOREIGN AFFAIRS REACTION  
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2. (C) ON DECEMBER 18, 2001, ESTCOUNS DELIVERED REFTEL DEMARCHE TO UGO DE MOHR, HEAD OF THE ITALIAN FOREIGN MINISTRY'S DUAL-USE EXPORT CONTROL OFFICE. DE MOHR INDICATED THAT HE UNDERSTOOD THE ULTIMATE POINT OF THE DEMARCHE REGARDING U.S. REASONS FOR NOT PURSUING A PRESIDENTIAL WAIVER TO THE TIANANMEN SANCTIONS AND ACCEPTED THE DEMARCHE LARGELY WITHOUT COMMENT. HIS ONLY QUESTION WAS WHETHER THE EVENTS OF SEPTEMBER 11, 2001 HAD CHANGED U.S. ATTITUDES TOWARD CHINA. ESTCOUNS POINTED OUT THAT THE DEMARCHE INDICATED THAT SEPTEMBER 11 HAD NOT CHANGED U.S. CONCERNS REGARDING CHINA'S UNHELPFUL ATTITUDE TOWARD STEMMING THE PROLIFERATION OF MISSILE RELATED TECHNOLOGY.

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ALENIA SPAZIO  
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3. (C) DE MOHR ALSO ASKED WHETHER THE UPCOMING BILATERAL "GLOBALIZATION" TALKS CONCERNING DEFENSE TRADE MIGHT INCLUDE DISCUSSION OF DUAL-USE EXPORTS AND THIRD PARTY TRANSFERS. HE REFERRED TO EMBASSY DISCUSSIONS IN SUMMER 2001, IN WHICH HE SUGGESTED THAT THE U.S. AND ITALY SHOULD SEEK SOME COMMON GUIDELINES CONCERNING TRADE IN POTENTIALLY SENSITIVE ITEMS TO CHINA. THE GOI GOAL IS TO STAY ABREAST WITH THE U.S. IN EXPLORING TRADE OPPORTUNITIES WITH CHINA, WHILE REMAINING SENSITIVE AND RESPONSIVE TO USG CONCERNS ABOUT TECHNOLOGY TRANSFER. ESTCOUNS PROMISED TO SEEK CLARIFICATION FROM THE DEPARTMENT AND DOD CONCERNING THE SCOPE OF THE TALKS.

4. (SBU) LENIA SPAZIO CEO GIUSEPPE VIRIGLIO AND ALENIA MAKETING VP PIANTELLA, RECEIVED REFTEL DEMARCHE FROMEST OFFICERS ON DECEMBER 21. ESTCOUNS STRESSED HE CONFIDENTIALITY OF THE DEMARCHE, PARTICULARLY REGARDING OUR

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POLICY TOWARD CHINA AND NOTED THAT IT WAS HIGHLY UNUSUAL FOR THE UNITED STATES TO MAKE SUCH A DOCUMENT RELEASABLE TO A PRIVATE COMPANY. VIRIGLIO RESPONDED WITH AN EXPRESSION OF APPRECIATION FOR THE DEMARCHE AND REITERATION OF ALENIA'S POSITION THAT THE LAUNCH INTO ORBIT OF ATLANTIC BIRD FROM CHINESE SOIL DOES NOT CONSTITUTE AN EXPORT TO CHINA.

5. (SBU) VIRIGLIO ASKED THAT IF ALENIA WERE PREPARED TO REMOVE THE U.S. ORIGIN COMPONENTS FROM ATLANTIC BIRD AND REPLACE THEM WITH EUROPEAN COMPONENTS, IF THIS WOULD OBVIATE U.S. OBJECTIONS. HE ASKED WHETHER THE U.S. GOVERNMENT WOULD STILL ATTEMPT TO OBSTRUCT THE LAUNCH OF ATLANTIC BIRD ONBOARD A CHINESE LONG MARCH SPACE LAUNCH VEHICLE (SLV), EVEN THOUGH THERE WOULD NOT BE ANY U.S. COMPONENTS ABOARD. VIRIGLIO EXPANDED ON THIS QUESTION BY ASKING WHETHER THE UNITED STATES WOULD BE OPPOSED TO ALENIA COMPETING FOR CHINESE AEROSPACE CONTRACTS. HE EXPLAINED THAT IF ALENIA RENEGED ON THE USE OF THE LONG MARCH SLV FOR ATLANTIC BIRD, ALENIA WOULD NOT BE ABLE TO COMPETE FOR A NUMBER OF FUTURE CHINESE TELECOMMUNICATIONS SATELLITE CONTRACTS. HE MENTIONED THE DONGFENG IV AS AN EXAMPLE BUT DID NOT ELABORATE FURTHER. IN EFFECT, VIRIGLIO INTIMATED THAT CHINA WOULD TREAT THE ATLANTIC BIRD LAUNCH AS A LITMUS TEST IN DETERMINING ALENIA'S RELIABILITY AS A SUITABLE PARTNER FOR FUTURE CHINESE SPACE

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16. (SBU) VIRIGLIO REITERATED ALENIA'S INTENTION TO COMPLY STRINGENTLY WITH RELEVANT U.S. LEGISLATION REGARDING EXPORT CONTROLS. IN THE CASE OF CHINA, A POTENTIALLY LUCRATIVE MARKET FOR ALENIA, VIRIGLIO INDICATED HIS DESIRE FOR A BILATERAL GOVERNMENT TO GOVERNMENT AGREEMENT THAT WOULD SET OUT CLEAR RULES FOR FUTURE COOPERATION WITH CHINA. HE COMPLAINED THAT THE UNCERTAINTY OF A CASE-BY-CASE APPROACH WAS MAKING IT EXTREMELY DIFFICULT FOR ALENIA TO ESTABLISH A COORDINATED BUSINESS PLAN TOWARD THE CHINESE MARKET. HE INDICATED THAT THE ITALIAN AMBASSADOR TO THE UNITED STATES,

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AMB. SALLEO, WOULD APPROACH THE DEPARTMENT TO FACILITATE A SERIES OF MEETINGS BETWEEN ALENIA EXECUTIVES AND RELEVANT U.S. OFFICIALS TO LAY THE GROUNDWORK FOR SUCH AN AGREEMENT.

17. (C) EMBASSY COMMENT. WE HEARD LOUD AND CLEAR FOR THE FIRST TIME FROM ALENIA OFFICIALS THAT THE PRIMARY SIGNIFICANCE OF ATLANTIC BIRD FOR THE COMPANY IS NOT THE SUNK COSTS FOR THE CHINESE LONG MARCH SLV, BUT THE DOWNSTREAM ORDER BOOK THAT MAY BE AT STAKE AND WORTH HUNDREDS OF MILLIONS OF DOLLARS. WHILE WE HAVE NO REASON TO BELIEVE THAT MFA WILL BACK OFF ITS REPORT FOR OUR DECISION, WE MAY HEAR FROM AMB. SALLEO AND MFA SOME GROUSING AND PROPOSALS TO AVOID INSTANCES SIMILAR TO ATLANTIC BIRD IN THE FUTURE. END COMMENT.  
POPE

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